

**APPENDIX A:
PROJECT DESCRIPTION
FEPAL Artisans Credit Project - Guinea**

I. Introduction

This appendix describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Appendix A shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

The Federation Prefectorale des Artisans de Labé's (FEPAL) membership consists of 64 urban, semi-urban and rural organizations that support more than 2,217 artisans. These professional organizations of artisans (APOs) cover a range of existing economic activities in the informal trades and represent the largest sector of employment in the Labé prefecture. However, the APOs lack of financial resources to help their members develop viable enterprises. FEPAL, which previously served as a credit guarantor for its members, intends to establish and manage its own loan program and provide appropriate and timely resources to meet the increasing demands of its membership.

III. Funding

A. ADF Contribution

The financial plan for ADF's contribution is set forth in Appendix A-1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the Agreement and do not cause ADF's contribution to exceed the obligated amount specified in Article 3, Section 3.1 of the Agreement.

B. Grantee Contribution

FEPAL will contribute the following: (1) the labor of its staff to implement the Project; (2) a network of trained APOs; and (3) existing furniture, equipment, and office space. The Federation will also contribute the credit balances of its three (3) bank accounts at the local branches of BICIGUI and the Société Générale de Banques en Guinée. There are two accounts at BICIGUI. The first account receives funds generated by the Federation from its day-to-day operations and activities. Its current balance is approximately GNF 3,000,000. The second account has a balance of approximately GNF 20,000,000 from a grant of GNF 50,000,000 received from the German Embassy for the construction of the work place and office. FEPAL recently opened the third account at the "Société Générale" to receive savings from members.

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IV. Project Goal

The goal of the Project is to improve the living standards of the poor artisans and their families in the prefecture of Labé.

V. Project Purpose

The purpose of the Project is to increase access to credit for FEPAL's members, as measured by the following:

- A. The total number of loans FEPAL disburses to its members will increase from zero before the Project to 331 in year 1, 445 in year 2, and 501 in year 3.
- B. The number of loans FEPAL disburses to women will increase from zero before the Project to 166 in year 1, 223 in year 2, and 252 in year 3.
- C. The number of outstanding loans extended by FEPAL will increase from zero before the Project to 104 in year 1, 156 in year 2, and 158 in year 3.
- D. The amount of outstanding loans will increase from zero to GNF 124,408,389 in year 1, GNF 181,802,493 in year 2, and GNF 191,609,902 in year 3.

VI. Outputs

The major output of the Project is a viable credit program, as indicated by the following:

- A. FEPAL's credit fund income will increase from zero before the Project to GNF 44,544,794 in year 1, 75,340,059 in year 2, and GNF 71,776,670 in year 3.
- B. FEPAL's net income from operations will increase from zero before the Project to GNF 20,760,932 in year 1, GNF 50,760,790 in year 2, and GNF 64,706,442 in year 3.
- C. The credit fund will attain operational sustainability by end year 1 and thereafter.
- D. The credit fund will attain financial sustainability by the end of the Project.
- E. FEPAL's staff will produce automated quarterly financial reports and quarterly loan repayment reports by the second year.

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- F. FEPAL will develop a loan procedure manual by the end of the sixth month of the Project.

VII. ACTIVITIES

A. Operation of the Credit Fund

FEPAL will enter into credit contracts with the APOs. Under the contracts, FEPAL will extend group loans to the APOs. The term of the loans will range from 3 to 6 months, and the amount of the loans will range from approximately GNF 1,000,000 to GNF 5,000,000. Individuals will be eligible for loans only after participating successfully in a solidarity group loan. All loans will require a compulsory saving deposits and will be subject to a nominal administrative fee. During the first six months of the Project, a comprehensive procedure manual will be developed with outside technical assistance and will govern the management of the system.

To ensure proper administration of the credit fund, FEPAL will hire appropriate individuals experienced in credit management and accounting. It will acquire the office, transportation, and communication equipment necessary to maintain contact with its clients at all stages of credit administration, including negotiation, disbursement, and repayment. In addition, FEPAL will purchase basic office furniture, including a small safe for its headquarters office, two mobile phones and a computer with loan portfolio tracking software.

To facilitate monitoring of loans, FEPAL will purchase a motorcycle for use by the credit agent. The credit agent will prepare monthly status reports on loan repayment.

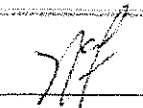
FEPAL will assure adequate safekeeping of financial assets and professional use of equipment and tools acquired for the establishment and the development of the credit fund. FEPAL will spend Grant funds provided for operational costs in ways that foster operational sustainability.

B. Training

FEPAL will provide its prospective clients an introduction to the meaning and management of credit prior to disbursing loans to them. FEPAL will recruit experts to train selected staff in micro-credit management, use of Microfin® and loan tracking software, financial management, monitoring and assessment and HIV/AIDS awareness education. ADF's partner organization in Guinea, CAD, will provide training FEPAL ADF bookkeeping and reporting standards for micro-finance institutions.

VIII. Roles and Responsibilities of the Parties

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FEPAL is responsible for ensuring the proper management and implementation of the Project. The Federation will organize its APO members to ensure that the process for channeling credit demands, loan disbursement and repayment is executed in an efficient and cost effective manner. The ADF Partner in Guinea, Center for Development Support (CAD), will provide FEPAL technical and management assistance during the implementation of the Project.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's organization. The committee will provide the Partner input for the Project monitoring plan. In addition, during implementation, the committee will have responsibility for ensuring that the Project follows the implementation plan, and that problems identified through monitoring and evaluation are properly addressed in a timely manner. The Project will be evaluated at the beginning of the third year of implementation. CAD will work with the FEPAL staff to conduct an evaluation of the achievements and performance of the credit program.

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